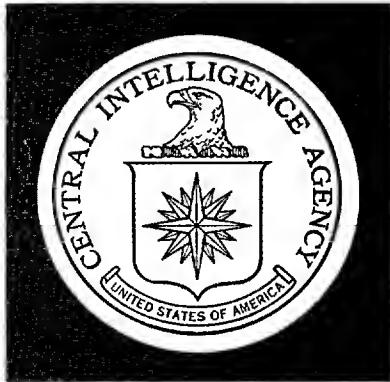


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12 December 1968

State Dept. review completed

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Approved For Release 2004/01/15 : CIA-RDP79T00975A012700100001-9

No. 0337/68
12 December 1968

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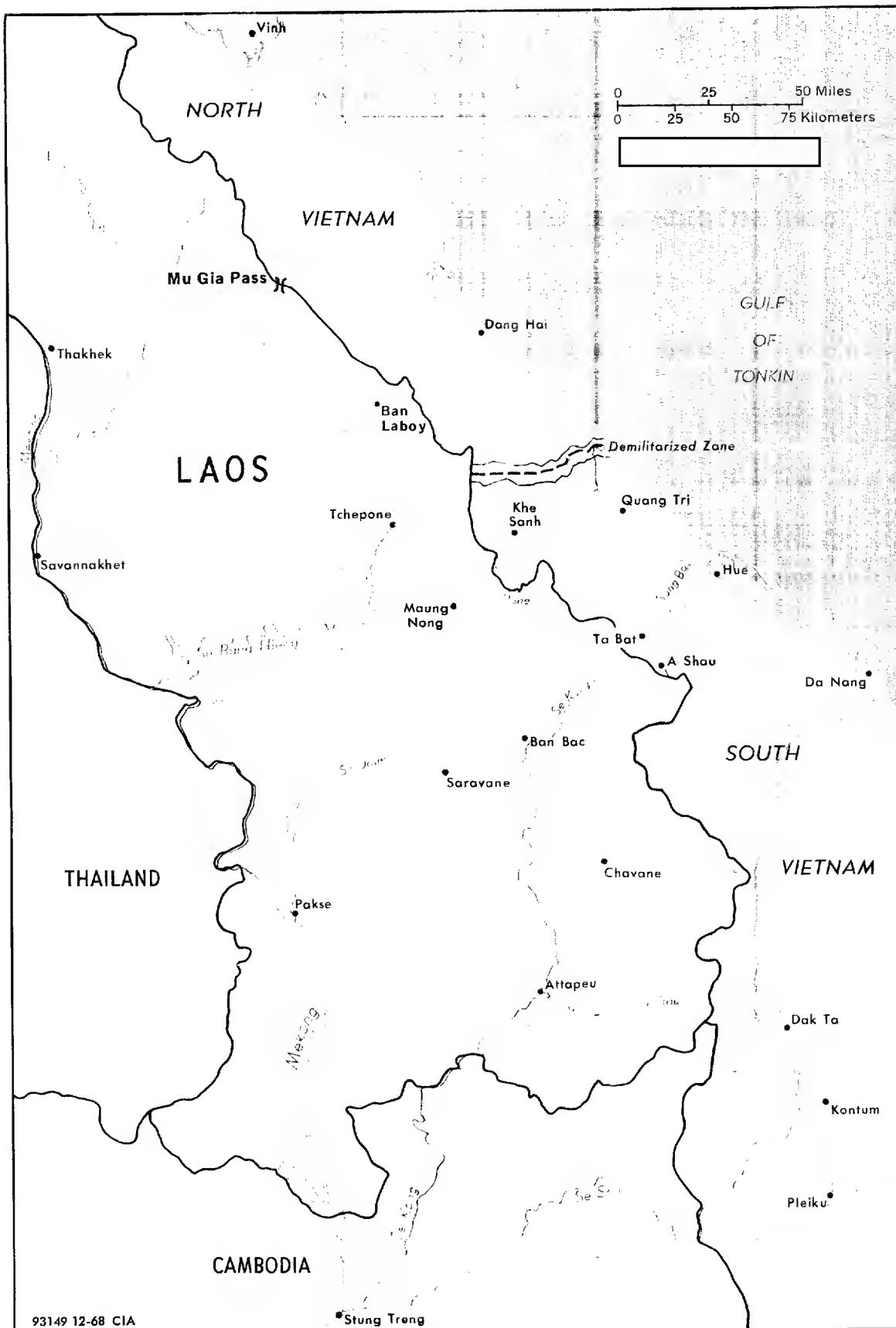
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[Vietnam: Communist truck traffic into the Lao-tian Panhandle has increased for the first time since the bombing halt, but it is about at the same level as a year ago.

On Route 15 north of the Mu Gia Pass a daily average of 16 trucks moving south was spotted in the first seven days of December; the November average was 11 trucks a day. On Route 912 north of Ban Laboy, a daily average of two trucks moving south was reported for the same period--a figure similar to that for November. Ground observers, however, probably cannot count all the traffic moving over this road, and [] traffic on it has increased substantially.

Traffic into Laos still remains substantially below peak levels noted in the past. If seasonal patterns set in the past year are repeated, however, a sharp increase in traffic should occur in late December or January. Last year's increase was postponed until the last week in December as bad weather apparently restricted traffic during the middle two weeks of the month.

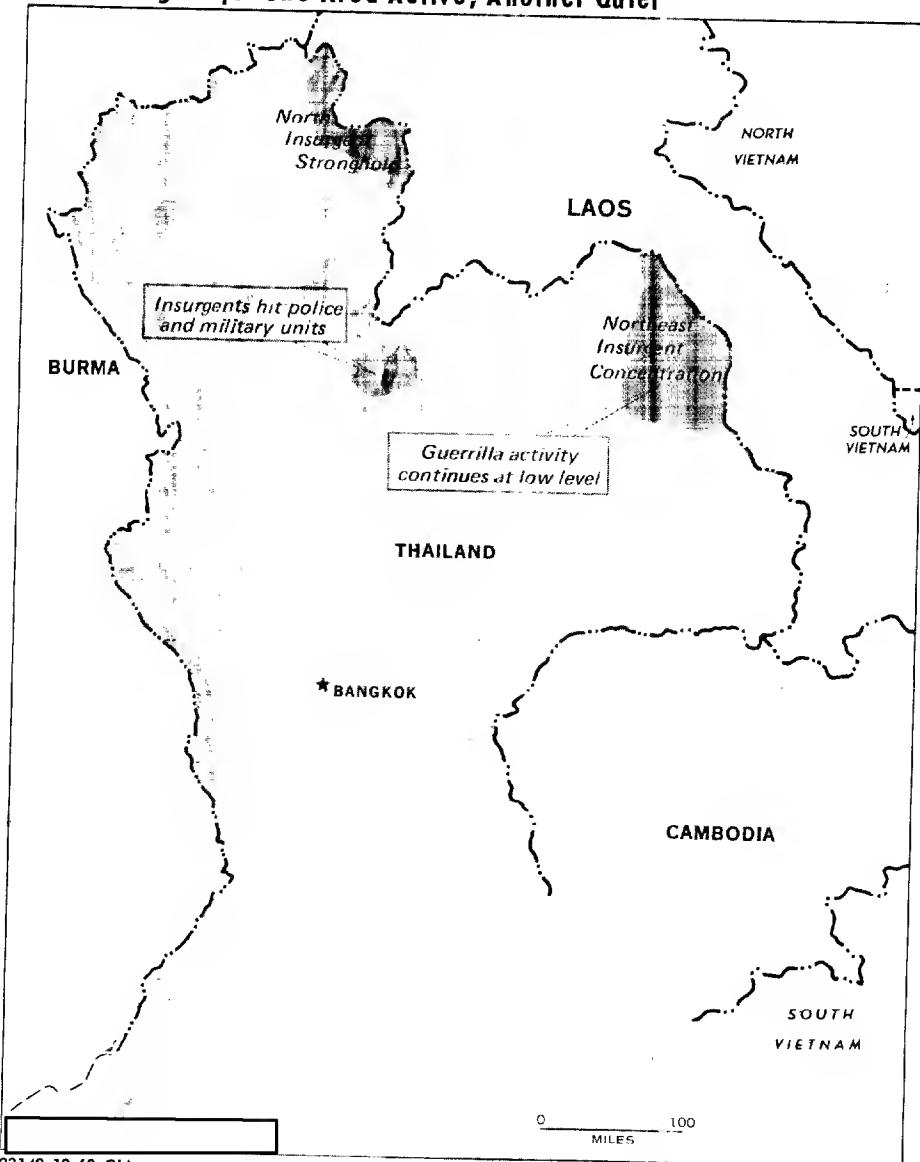
There has yet to be a rise in traffic entering Laos to match the increase in logistics activity that has taken place in southern North Vietnam since the bombing halt. This activity has undoubtedly included preparations for increasing supply shipments into the Laotian Panhandle if necessary. []

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Thai Insurgency: One Area Active, Another Quiet



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Thailand: Communist-led tribal guerrillas are keeping up pressure on government security forces in the north-central area.

The insurgents, who successfully attacked a government hill tribe training center last month, have launched harassing actions against police and military units. Well armed and aggressively led, the guerrillas are disrupting the government's embryonic village security programs in the area. Many tribesmen have abandoned their villages, and the government's already tenuous hold on the allegiance of the tribal people has been weakened further.

Government reaction has been limited to sporadic airstrikes and piecemeal reinforcement, although a new joint command headquarters under the 3rd Army has been set up in the area. The terrorists' attacks may spur provincial officials to start planned civic action, but judging from the government's performance in countering a similar problem in adjacent northern provinces, progress will be slow at best.

In the more strategic northeast, insurgent activity continues at a low level. The recent defection of three guerrilla leaders underlines the Communists' morale problems which stem from organizational difficulties and food shortages as well as from government security operations.

The difficulties the insurgents have been encountering in the northeast may be one reason why they have been stepping up their effort in the north and north-central areas. Although the Communists probably believe that the future of the insurgency will not be decided among the tribal people, they may calculate that dramatic progress in those tribal areas will provide a sense of momentum until they get on the track in the northeast. [redacted]

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Czechoslovakia: A threatened strike by railroad engineers is symptomatic of the growing dissatisfaction in Czechoslovakia because of the Dubcek regime's retreat from its reform program.

The engineers stated yesterday that they made their threat because the government had backtracked on recognizing their union, which is trying to split away from the parent railway organization. Their statement had anti-Soviet overtones; it noted that the government had allowed the union to be formed and had even provided it offices before the Soviet invasion. The party's main daily has already denounced the threatened strike.

One of the more vocal proponents of reform, party presidium member Josef Smrkovsky, has meanwhile had to deny rumors that he intends to resign. The tone of Smrkovsky's denial suggests he is challenging his opponents to force him from his posts.

Dubcek's basic problem--resolving the fundamental differences between his views and those of the Soviet Union--was again highlighted by the contrast in the treatment given by the Prague and Moscow press to the 25th anniversary of the Czechoslovak-Soviet treaty. While acknowledging the "inviolability" of Prague's alliance with Moscow, Rude Pravo stated that it expected and hoped the Soviet Union would acknowledge Prague's endeavors to strengthen the sovereignty and independence of Czechoslovakia. The official Soviet statement, however, stressed that cooperation of the two countries rested on the principles of "proletarian internationalism" and the "supreme interests of the socialist community." [redacted]

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West Germany - Eastern Europe: Bonn apparently intends to relax its policies toward the Warsaw Pact powers that invaded Czechoslovakia.

According to the chief of the East European section of the foreign office, West Germany favors resuming all cultural exchanges with the Warsaw Pact "five" as early as the beginning of the year. Bonn has been following a restrictive policy in line with NATO recommendations to refrain from "high visibility" exchanges in the wake of the Czechoslovak crisis.

The German official argued that the West is denying itself a means of influencing the Eastern Europeans and indicated that in Bonn's eyes only the East Germans profit from the freeze. He claimed that domestic pressures to end the freeze are growing and said that strong indications had been received--in particular from Hungary--of a continued interest in cultural exchanges.

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Mexico: Dissident students are planning street demonstrations in Mexico City on 13 December.

The announced intention of the demonstrations is to illustrate that the students have not abandoned their demands for reform and the release of political prisoners. Their action will be in defiance of the National Strike Council's decision on 4 December to end the four-and-a-half month strike. A majority of the students have already returned to class.

Leaders of the dissident students are also reportedly preparing propaganda denouncing President Diaz Ordaz for "selling out Mexico" at his scheduled meeting with President Johnson on the same day. The Mexican left in general, however, does not regard that meeting, which will mark the final step in realigning the Mexican-US border, as an exploitable issue.

Any substantial student agitation, coupled with a political attack on Diaz Ordaz, could prompt a strong government response. Prior to the strike council's announcement, there were indications that the Diaz Ordaz administration was preparing to take stern measures, including closing the schools.

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Ethiopia: The government intends to send a delegation to the Soviet Union and other Eastern European countries to seek softer repayment terms on credits.

The present terms are not unfavorable, generally calling for repayment over a 10-14- year period after completion of the project and carrying a 2.5 percent rate of interest. Because of Ethiopia's growing financial problems, however, they are still too difficult for the government to meet. Ethiopia's debt to the Soviet Union and Czechoslovakia currently amounts to about \$22 million.

The total external debt of Ethiopia has risen sharply in the last few years. Amortization and interest payments for 1967 were \$15.6 million or some 15 percent of Ethiopia's export earnings. Sources of revenue have failed to increase appreciably, and Addis Ababa is desperately seeking new ways to improve its financial position. The government is even considering taxing the airlines on all tickets sold, retroactive to 1958. These taxes, if collected, would bring in over \$5 million, but they would severely hurt the air transport business, particularly the Ethiopian Air Lines. [redacted]

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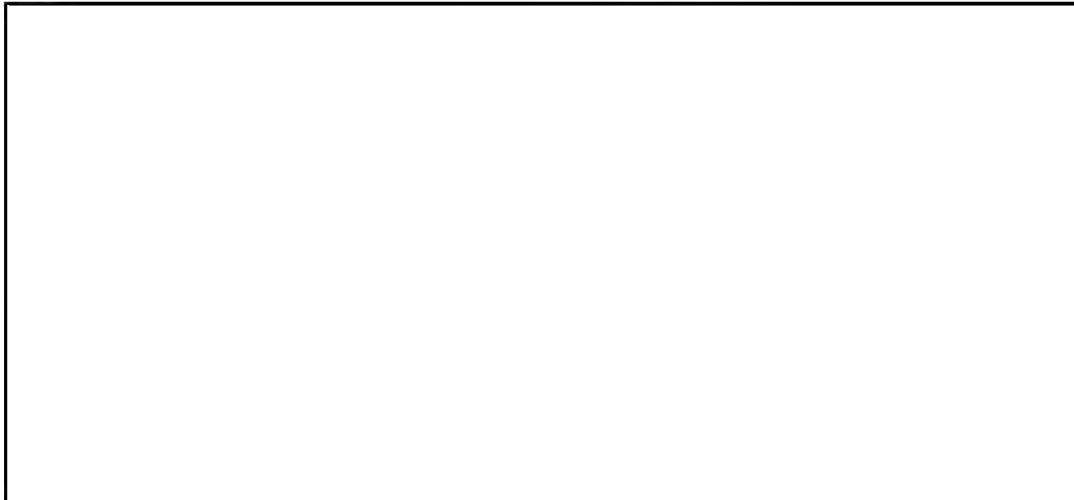
Communist China: Chief of Staff Huang Yung-sheng, number two man in the Chinese military structure, has cut short a visit to Albania by eight days, possibly to attend a hastily convened meeting of top Chinese leaders. Huang's abrupt return to Peking on 5 December went nearly unnoticed by the New China News Agency, which normally accords heavy publicity to a returning diplomatic emissary. These anomalies surrounding Huang's return may be related to the fact that no important national figures in Peking have appeared publicly since late November, and several--including Lin Piao and Mao's wife--have not made an appearance for more than two months. Moscow radio has been claiming that Lin is touring southwest China trying to bring factions into line.

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Lebanon: [redacted] has expressed serious doubts that the government can continue to block use of Lebanese territory by Palestinian terrorists. He told the US ambassador the small Lebanese Army was doing its best but that, in the absence of an Arab-Israeli peace settlement, popular support for the terrorists is growing. He characterized the Syrian-backed terrorists as more of a threat to Lebanon than to Israel and expressed fear that the issue could lead to confessional strife similar to that in the civil warfare of 1958. [redacted]

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Pakistan: All major opposition groups in East Pakistan, in an unusual display of cooperation, are reportedly backing a province-wide strike scheduled for tomorrow. Security authorities can probably prevent significant violence, but if the disparate opposition groups prove they can work together, President Ayub's government faces more serious problems. Antigovernment disturbances, which have plagued West Pakistan since early November, spread to the eastern province for the first time last week when leftists initiated a series of demonstrations and strikes to coincide with a visit there by Ayub.

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